

General Information Letter. Tax issues arising from foreign not-for-profit organization conducting activities within Illinois.

September 16, 1998

Dear:

This is in response to your letter dated September 10, 1998, in which you request a General Information Letter. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department.

Although you have not specifically requested either type of ruling, the information you have provided requires that we respond with a general information letter.

In your request you stated:

The xxxxxxxx xx xxxxx xxxxxxxxxxxxxx is considering organizing a conference in Chicago next year, but would first like to find out what its tax liabilities might be.

1. The xxxxxxxxxx is a professional body registered in the UK as a charity.
2. Can we register as exempt from local, Federal and any other taxes since we are a UK registered charity? If we were exempted, would there be any other taxes that we would still be liable for?
3. The conference will take place at the Art Institute of Chicago and hopefully will be attended by about 300 international delegates.
4. These delegates will be paying for registration (including coffee, tea and lunches), tours, banquets, receptions into this office in the UK.
5. Delegates will receive handbooks containing abstracts and other information which will have been printed either in UK or USA. Does it matter which country the printing is done in?
6. Booking forms and other publicity material will be printed in the UK.
7. The organizers are mainly British Citizens, although one or two people in USA will be paid fees.
8. Speakers will not be paid a fee, their registration will be *gratis*.
9. We may ship some publications out to Chicago to sell to delegates.
10. The venue and catering will be provided by the Art Institute, who we will then pay.
11. We will be purchasing tours, receptions and banquets for the delegates.
12. Can we hold bank accounts in pounds sterling and US dollars?

13. Would we be deemed to be conducting business in Illinois or UK?
And for which items listed above?
14. Is there a local or Federal profits tax for business conducted in Illinois or Chicago?
15. Is there a local or Federal turnover tax for business conducted in Illinois or Chicago?

The Trustees are meeting early next week to discuss this matter, would it be possible to have prompt reply to these many questions?

Department Analysis

This reply will only encompass answers to the Illinois income tax questions in your letter. Questions concerning federal or local tax questions should be addressed to the Internal Revenue Service and the City of Chicago, respectively. Similarly, questions concerning sales taxes will be addressed in a separate letter by the Sales Tax Division of the Illinois Department of Revenue.

QUESTION 2: Can we register as exempt from local, Federal and any other taxes since we are a UK registered charity? If we were exempted, would there be any other taxes that we would still be liable for?

ANSWER: For Illinois income tax purposes, the determination of whether an organization is exempt from taxation is dependent upon Federal tax treatment. The Internal Revenue Service ("IRS") can tell you if any Treaty provision or section of the Internal Revenue Code ("IRC") would hold a foreign charity liable for federal income taxes. Should your organization be found exempt from federal income taxation due to IRC section 501(a) then it would similarly be exempt from Illinois Income taxes due to IITA section 205(a). No registration with the State of Illinois will be necessary. The one exception to this would be if you had "unrelated business taxable income" as determined under section 512 of the IRC. "Unrelated business taxable income" essentially means income from business activities which are not substantially related to the organizations charitable purposes. The Internal Revenue Service could answer your question more fully. But, if your organization is exempted from federal income taxes due to your status as a charity, it would also be exempt from Illinois income taxes.

QUESTION 5: Delegates will receive handbooks containing abstracts and other information which will have been printed either in UK or USA. Does it matter which country the printing is done in?

ANSWER: The IITA has a special exemption found at section 205(f) for tangible personal property which is present in Illinois only due to a contract for printing. It therefore does not matter for Illinois income tax purposes whether the materials are printed in Illinois or the United Kingdom.

QUESTION 12: Can we hold bank accounts in pounds sterling and US dollars?

ANSWER: For Illinois income tax purposes your organization would not be deemed to be doing business in Illinois just because it holds a bank account in Illinois.

QUESTION 13: Would we be deemed to be conducting business in Illinois or UK? And for which items listed above?

ANSWER: Based upon the limited contacts suggested by the information in this letter--and assuming you are found to be exempt from paying federal income taxes

due to your charitable status--you would not be deemed to be conducting business in Illinois for Illinois income tax purposes. I urge you, however, to contact the Internal Revenue Service and the City of Chicago to determine your tax status with these jurisdictions.

QUESTION 14: Is there a local or Federal profits tax for business conducted in Illinois or Chicago?

ANSWER: I am not sure what you mean by a "profits" tax. There is an Illinois income tax as explained above; however, if you are deemed an exempt organization you would not be subject to this.

QUESTION 15: Is there a local or Federal turnover tax for business conducted in Illinois or Chicago?

ANSWER: I am not sure what a turnover tax is, so I cannot answer this question. However, if a turnover tax is a "value-added tax" then I can say that there are none in Illinois.

I hope that this has been helpful to you. If you have additional questions please feel free to contact me at the above address.

Sincerely,

Charles E. Matoesian
Associate Attorney (Income Tax)